



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

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Date: April 19, 2012

To: Mike Huebsch, Secretary
Department of Administration

From: Brian Hayes
State Budget Director

Subject: Act 10 Estimated Savings

Per your request, the State Budget Office has estimated savings assuming full implementation of the following 2011 Wisconsin Act 10 provisions:

- Required all public employees, except police officers, firefighters and transit workers, who participate in a defined benefit plan to pay 50 percent of pension costs (5.9 percent of salary in CY12 for general employees under the Wisconsin Retirement System).
 - State government savings are estimated to be \$226.3 million all funds per year. These savings are higher than assumed in 2011 Wisconsin Act 32 as not all appropriations were reduced to reflect anticipated savings (e.g., UW PR appropriations).
 - Local government savings are estimated to be \$464 million per year when all fund sources are included and based on the assumption that all retirement systems except the city of Milwaukee enact this change.
- Modified WRS eligibility for new employees such that they are:
 - Vested only after 5 years of service
 - Eligible only if they are working at least two-thirds of full-time employment as defined by the Department of Employee Trust Funds.
 - Future savings to be determined by actuarial analysis.
- Required all public employers that participate in the Group Insurance Board's health insurance plans to pay no more than 88 percent of the premiums.
 - State savings estimated to be \$82.4 million all funds per year based on increasing the employee contribution to the premium from 6 percent to 12.6 percent.
- Authorized public employers to unilaterally modify the health insurance premium, design and choice for all employees, including police officers and firefighters.
 - Local health insurance savings are much harder to project but may be in the range of \$300 million per year if the same magnitude of premium

and/or design changes is made at the local level as was made at the state level.

- Directed the Group Insurance Board to find an additional 5 percent in savings by redesigning the state health insurance program.
 - Have implemented a 90/10 co-insurance model for state employees beginning in CY12 and factored in drug reserve savings. These savings are estimated to be \$65 million all funds in CY12.
- Directed the Group Insurance Board to use pharmacy reserves to offset employer and employee costs. In August 2011, the board approved the use of \$30 million in CY12 and \$17 million in CY13 for this purpose.
- Many state and local work rule changes are now possible that will generate savings, including modifications to overtime, sick leave, personal days and management practices.

Summary of Estimated Act 10 Savings	All funds (millions)
State Pension	\$226.3
Local Pension	\$464.0
State Health Insurance Premiums	\$82.4
Local Health Insurance Premiums and Plan Design	\$300.0
State Health Insurance Plan Design	\$65.0
State Health Insurance Pharmacy Reserves	<u>\$47.0</u>
	\$1,184.7

Please let me know if you have any questions.